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Affluent investors prefer 'fee-based' planning — but do they understand it?
By Rob Burgess
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A recent report by research firm Cerulli Associates found that affluent clients are most interested in fee-based planning models.

The survey found that 36% of affluent investors say they prefer fee-based pricing structures. In practice, 33% compensate their provider via an asset-based fee, while 21% use a no-fee platform and 20% use a commission-based method of payment. ("Fee-based" is an umbrella term that covers a range of fee models, including asset-based fees like the typical 1% of assets under management, flat fees and hourly rates.)

Advisors who have experience with these compensation models say this shift away from commission-based models reflects a growing trend. They also say more education and transparency on fee structures is needed throughout the industry.

Clients may not understand what they're asking for
It's possible that many investors, including affluent ones, don't fully understand what fee-based planning is in the first place. Technically, fee-based is different from fee-only or flat-fee.

When investors ask for "fee-based," they are generally trying to avoid advisors who charge a commission; however, "fee-based" by definition includes advisors who charge a commission, said Carlie Ransom, a financial planner and co-founder of Equal Path Investments in Tacoma, Washington. Investors asking for "fee-based" services often really mean "fee-only," which means no products are being sold for a commission, or "flat fee," which avoids the standard fee of 1% of assets under management.

"To make it even more complicated, they could also be inquiring about 'advice only,' which means not only that the fee is flat, but that no products at all will be sold, and investment management will not be included," she said.

While fee-based models have gained traction among affluent investors, Cerulli's findings suggest a lingering disconnect in the broader market, said Kyle DePaolo, co-founder of DePaolo & May Strategic Wealth in Irvine, California.

"Advisors should take this as a call to educate clients, advocate for transparency and align compensation with client outcomes," he said. "As more low-cost investment tools become available — for example, ETFs — there's a clear opportunity for independent, fiduciary-oriented firms to gain trust — and wallet

share — by doing what's right for the client."

In her work with globally mobile families, Arielle Tucker, the founder of Connected Financial Planning in Zurich, Switzerland, said fee-based models often resonate with clients who value clarity and ongoing partnership.

"They appreciate knowing that the advice they receive isn't tied to product sales, which fosters deeper trust," she said. "However, for clients earlier in their financial journey or who have more transactional expectations, commission-based or no-fee platforms may feel more accessible, even if they're not always in the client's best long-term interest."

The emotional side of billing can't be overstated, Tucker said, as many clients carry shame around money, fear of being judged or confusion around financial jargon.

"A flat or fee-based structure, when explained well, can demystify the relationship and help clients feel like they're in a safe space where their interests come first," she said.

A growing demand for flat-fee and advice-only planners

Terminology aside, there is a strong and growing demand for flat-fee and advice-only planners, said Ransom, a flat-fee planner herself who "can barely keep up with demand."

"I'm hiring more help now," she said. "Affluent investors have only just recently figured out flat-fee planning. They are now well aware that flat-fee planning saves them money in many cases and reduces conflicts of interest."

Fee-based planning continues to gain traction because "it naturally aligns incentives and reinforces the advisor's role as a strategic partner, not a product pusher," said Jason Gilbert, founder and managing partner of RGA Investment Advisors in Great Neck, New York.

While the saving money part is more obvious, Ransom said she has noticed the trend that affluent clients are "starting to understand the conflict of interest for the 1% of assets under management (AUM) model more."

"For example, in a recent intro meeting, one new client said, 'I'm worried my current advisor won't let me spend my money in retirement so that my account balance stays larger to make him more money,'" she said.

The shift toward more transparent fee structures is a natural evolution as investors become more educated about conflicts of interest and the lack of a linear relationship between AUM fees and services, said Stephan Shipe, founder and CEO of Scholar Financial Advising in Concord, North Carolina.

"The industry is at an inflection point," he said. "Advisors holding onto opaque

fee structures are working against a trend of increasing consumer awareness. This is a chance for firms to lead by offering clarity and value beyond just managing investments. The earlier we embrace transparency, the better positioned we'll be for the future."

Affluent clients getting comfortable moving away from AUM fees

From his experience over the past year, Derrick Alexander, owner and lead financial advisor at Greater Works Wealth in Tulsa, Oklahoma, said nontraditional fee models for financial planning seem to be gaining real traction — especially among affluent investors.

"I've recently engaged with three prospective clients with over $3 million in investable assets, and interestingly, all of them have shown a strong preference to start with a fee-based planning model, rather than jumping straight into a traditional AUM relationship," he said. "What I've found is that many of these individuals have successfully managed their own portfolios throughout their working years. They've done well on their own, and for most of their lives, they didn't feel a pressing need for an advisor."

Rather than diving headfirst into a full-service AUM model, Alexander said these clients are more comfortable "dipping their toes in the water" by engaging in project-based or hourly planning.

"This allows them to get to know the advisor, build trust, and see value before committing to a deeper, ongoing relationship," he said. "In several cases, they've even stated they'd be open to an AUM-based relationship in the future — but only once they've had time to build a real advisory partnership, not just a transactional relationship. These clients don't want someone to take over; they want a thought partner — someone who respects their past success but helps guide them through this next phase with clarity and confidence."

It's more about trust than the pricing structure

Advisors tend to create a bias toward whatever their fee model is, defend it and then assume clients will accept their model, and their model only, said Cameron Valadez, co-founder of Planable Wealth in Riverside, California.

"In reality, many investors — affluent or non-affluent — just want to work with someone they can trust," he said. "How they identify and develop that trust is completely unique to them. If an advisor can solve the pain points they have, they don't tend to lose sleep over how the advisor will be paid for the advice, although they should of course know."